

Message Text

CONFIDENTIAL

PAGE 01 STATE 233733

60

ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 CIAE-00 INR-07 NSAE-00 /027 R

DRAFTED BY: CIA/RES/HSG CHRIS REHDER

APPROVED BY: EB/OCA:C/M:BEBYRON

EUR/EE:FROMOWITZ

EB/EWT/JBEMIS

EUR/SOV/JTREICHEL

EB/OMA/CERVIN

----- 010965

R 211426Z SEP 76

FM SECSTATE WASHDC

TO AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY BERLIN

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY VIENNA

AMEMBASSY WARSAW

AMCONSUL ZURICH

C O N F I D E N T I A L STATE 233733

E.O. 11652: GDS

TAGS: ETRD, ECON, BTIO

SUBJECT: HARD CURRENCY TRADE AMONG CEMA COUNTRIES

REF: BUDAPEST 2359

1. ECONOMIC ANALYSTS INTERESTED IN ASSESSING INTRA-CEMA
HARD CURRENCY TRADE INCLUDING ITS NATURE AND PURPOSES,
METHOD OF PAYMENT AND IMPACT ON INDIVIDUAL EAST EUROPEAN
COUNTRIES.

2. INTRA-CEMA HARD CURRENCY TRADE HAS BEEN GROWING RAPIDLY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 233733

DURING THE 1970S BUT IS APPARENTLY STILL SMALL AND CONSISTS

MAINLY OF RAW AND SEMI-FINISHED MATERIALS NEEDED TO FULFILL UNEXPECTED NEEDS OF CEMA COUNTRIES. A LARGE LONG-TERM HUNGARIAN-SOVIET AGREEMENT SIGNED THIS YEAR MAY HAVE BEEN DENOMINATED IN DOLLARS, HOWEVER, POSSIBLE SIGNALING AN EXPANSION IN THE SCALE AND SCOPE OF SUCH TRADE.

3. EMBASSY REPORTING AND OFFICIAL STATISTICS FROM HUNGARY HAVE PROVIDED SOME INSIGHT INTO SUCH TRADE IN HUNGARY. WE HAVE ALMOST NO INFORMATION FROM OTHER EAST EUROPEAN COUNTRIES OR THE USSR.

4. WHAT IS THE VALUE OF THIS TRADE, BY COUNTRY, AND HOW HAS THE VALUE CHANGED OVER TIME? WHAT COMMODITIES ARE INVOLVED? ARE WORLD MARKET PRICES ALWAYS USED?

5. IS THIS TRADE CONDUCTED BY BARTER, WITH SURPLUSES AND DEFICITS BALANCED IN FUTURE YEARS, BY ANNUAL HARD CURRENCY TRANSFERS; OR BY HARD CURRENCY PAYMENT AT THE TIME OF DELIVERY? ARE INTEREST RATES CHARGED AND ARE THEY AT WORLD MARKET LEVELS? DOES IBEC HAVE SPECIAL RULES GOVERNING THIS TRADE?

6. WHAT ARE THE BENEFITS AND DRAWBACKS TO BUYER AND SELLER COUNTRIES? ARE CERTAIN COUNTRIES ALWAYS IN SURPLUS OF DEFICIT AND WHAT ARE THE CONSEQUENCES? IS THIS TRADE MAINLY THE RESULT OF UNEXPECTED ABOVE-PLAN NEEDS OR IS THE TRADE BECOMING INSTITUTIONALIZED OVER LONGER PERIODS E.G. THE HUNGARIAN-SOVIET LONG TERM AGREEMENT?

7. IS MOSCOW SHIFTING, OR THREATENING TO SHIFT, MORE OF ITS TRADE WITH EASTERN EUROPE ONTO A HARD CURRENCY BASIS? HAS THERE BEEN BARGAINING OR TRADE-OFFS BETWEEN HARD CURRENCY TRADE WITHIN CEMA AND OTHER POLITICAL OR ECONOMIC CONSIDERATIONS? WHAT IS THE EFFECT OF CEMA HARD CURRENCY TRADE ON TRADE AND DEBT WITH THE WEST?

8. HAS INTRA-CEMA HARD CURRENCY TRADE OFTEN BEEN USED TO AMELIORATE CONSUMER PROBLEMS, E.G. ONE-SHOT IMPORTS OF MEAT TO EASE CONSUMER UNREST?

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 233733

9. WHILE POSTS HAVE REPORTED IN PAST ON MANY OF ABOVE QUESTIONS WE WOULD APPRECIATE UPDATING OF INFORMATION AND ANALYSIS TO EXTENT FEASIBLE. A REPLY AS SOON AS POSSIBLE WILL BE APPRECIATED. PLEASE CITE C-ER-6-50420 IN RESPONDING.
ROBINSON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE PROMOTION, HARD CURRENCIES, SURPLUS (CURRENCY), FOREIGN EXCHANGE RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE233733
Document Source: CORE
Document Unique ID: 00
Drafter: CIA/RES/HSG CHRIS REHDER
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760358-0754
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760936/aaaabepi.tel
Line Count: 112
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 BUDAPEST 2359
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 06 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 APR 2004 by BoyleJA>; APPROVED <06 APR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: HARD CURRENCY TRADE AMONG CEMA COUNTRIES
TAGS: ETRD, ECON, BTIO, EFIN, ECIN, XH, CEMA
To: BELGRADE BERN BONN MULTIPLE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006